



CONGRESS OF THE UNITED STATES

# JOINT ECONOMIC COMMITTEE

CONGRESSMAN JIM SAXTON

## PRESS RELEASE

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### DATA SHOW 2001 TAX CUT DID NOT CAUSE BUDGET DEFICITS

**Washington, D.C.** – An analysis of official 2001 budget projections shows that the effect of the 2001 tax bill alone would have left large and growing budget surpluses through the end of the decade, Congressman Jim Saxton said today. However, subsequent huge budget re-estimates taking into account the impact of the economic slowdown and stock market plunge led to a drastically changed budget outlook, while the direct and indirect effects of the September 11, 2001 terrorist attacks have also played a role. Without these re-estimates, the annual budget surplus would have been \$275 billion in fiscal 2002, growing to \$609 billion by 2010, even after the effects of the 2001 tax bill are taken into account.

“The Administration’s partisan critics have tried to portray the 2001 tax relief bill as the key reason the budget has swung into deficit,” Saxton said. “However, a review of the facts reveals that even the static revenue effects of this legislation are far too small to erase the huge budget surpluses projected in January 2001 by career analysts at the Congressional Budget Office (CBO).”

“The magnitude of the economic and technical revisions made to the 2001 budget projections by CBO truly are astronomical. For example, in fiscal 2002 there would have been a \$275 billion surplus after the Bush tax relief package, but this was erased by \$320 billion in CBO economic and technical revisions. The projected surpluses were wiped out by economic and technical re-estimates to correct forecast errors, along with new security and other spending. Without these re-estimates, the provision of tax relief would have left large budget surpluses. The budget figures produced in the attached table show how the static revenue impact of the 2001 tax act affected the projected budget surpluses,” Saxton concluded.

<b>2001 Tax Act and Projected Surpluses</b>										
<b>(billions of dollars)</b>										
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Total Surplus (Projected in January 2001 by CBO)</b>	313	359	397	433	505	573	635	710	796	889
<b>Tax Act</b>	-38	-91	-108	-107	-135	-152	-160	-168	-187	-130
<b>Total 2001 Projected Surplus Minus Tax Act</b>	275	268	289	326	370	421	475	542	609	759

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